

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI
INFO AMEMBASSY SEOUL
USMISSION GENEVA
AMEMBASSY BRUSSELS
AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: SIGNING OF NON-RUBBER FOOTWEAR ORDERLY MARKETING
AGREEMENT WITH REPUBLIC OF CHINA

REF:

1. FOLLOWING ARE EXTENSIVE EXERPTS FROM THE STR PRESS
RELEASE ANNOUNCING THE SIGNING OF A NON-RUBBER FOOTWEAR
ORDERLY MARKETING AGREEMENT ON JUNE 14 WITH THE GOVERNMENT
OF THE REPUBLIC OF CHINA. BEGIN TEXT:

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REPUBLIC OF CHINA CURBS SHOE EXPORTS TO U.S.; SIMILAR
AGREEMENT WITH KOREA ANTICIPATED

THE UNITED STATES AND THE REPUBLIC OF CHINA (ROC) TODAY
SIGNED A FOUR-YEAR ORDERLY MARKETING AGREEMENT (OMA),
UNDER WHICH TAIWANESE EXPORTS OF NON-RUBBER FOOTWEAR TO
THE U.S. WILL BE LIMITED TO LEVELS WELL BELOW THEIR

RECORD HIGH OF 156 MILLION PAIRS IN 1976. THE AGREEMENT, SIGNED BY AMBASSADOR JAMES SHEN OF THE ROC, AND ROBERT S. STRAUSS, PRESIDENT CARTER'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, WAS ANNOUNCED BY AMBASSADOR STRAUSS.

NEGOTIATION OF A SIMILAR AGREEMENT BETWEEN THE U.S. AND

AND THE REPUBLIC OF KOREA IS NEARLY COMPLETE, AND IS EXPECTED TO BE ANNOUNCED NEXT WEEK, AMBASSADOR STRAUSS REPORTED.

IN ANNOUNCING THE OMA WITH TAIPEI, AMBASSADOR STRAUSS COMMENDED THE GOVERNMENTS OF BOTH THE REPUBLICS OF CHINA AND KOREA FOR THEIR "COOPERATIVE STATESMANSHIP" IN DEVELOPING "FAIR AND EQUITABLE NEGOTIATED SOLUTIONS" TO PRESSING INTERNATIONAL SHOE TRADE PROBLEMS.

"ANY AGREEMENT SUCH AS THE ONE WE HAVE JUST CONCLUDED," AMBASSADOR STRAUSS NOTED, "REPRESENTS A TEMPORARY TRADE RESTRICTION WHICH THE PRESIDENT HAS SAID HE IS VERY RELUCTANT TO TAKE. THESE (ORDERLY MARKETING) AGREEMENTS ARE NOT THE IDEAL LONG-TERM SOLUTIONS TO OUR TRADE PROBLEMS."

"OUR AGREEMENT WITH TAIPEI, HOWEVER," STRAUSS SAID, "IS A USEFUL, EFFECTIVE, AND ACCEPTABLE WAY OF GIVING ONE OF OUR BASIC DOMESTIC INDUSTRIES A REASONABLE TEMPORARY PERIOD IN WHICH TO ADJUST TO SEVERE, SUDDEN, SHORT-TERM MARKET DISRUPTIONS, AND TO BECOME MORE COMPETITIVE-- UNCLASSIFIED

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WHICH IS ESSENTIAL IN THE LONG RUN. AS SUCH, IT COMES TO GRIPS WITH AN IMMEDIATE ECONOMIC PROBLEM, WHICH IF ALLOWED TO CONTINUE TO FESTER, COULD CAUSE INJURY TO OUR WORKERS AND INDUSTRY TO REACH SUCH PROPORTIONS AS TO FUEL THE FEVER OF PROTECTIONISM."

AMBASSADOR STRAUSS ALSO NOTED THAT "IN ACCORDANCE WITH PRESIDENT CARTER'S INSTRUCTIONS, THE DEPARTMENTS OF COMMERCE AND LABOR AND MY OFFICE ARE WORKING ON A NEWLY DESIGNED FEDERAL TRADE ADJUSTMENT ASSISTANCE PROGRAM WHICH WILL DELIVER MUCH MORE EFFECTIVE HELP TO TRADE IMPACTED DOMESTIC FIRMS AND WORKERS. DETAILS OF THIS PROPOSED NEW PROGRAM WILL BE ANNOUNCED BEFORE THE END OF THIS MONTH."

THE OMA WITH TAIPEI PROVIDES THAT IN THE FIRST YEAR, FROM JUNE 28, 1977, THROUGH JUNE 30, 1977, ROC EXPORTS TO THE U.S. OF THREE CATEGORIES OF NON-RUBBER FOOTWEAR-- LEATHER, PLASTIC, AND "OTHER" -- WILL NOT EXCEED 122

MILLION PAIRS. THIS QUOTA WILL BE INCREASED BY 3 MILLION PAIRS IN EACH OF THE SUCCEEDING YEARS, 1978-79, 1979-80, AND 1980-81, UP TO A LIMIT OF 131 MILLION PAIRS IN THE FINAL YEAR OF THE AGREEMENT. EACH OF THE THREE FOOTWEAR CATEGORIES HAS A SEPARATE SUB-LIMIT. EXPORTS OF FELT FOOTWEAR LINERS UNDER THE INTERNATIONAL MULTIFIBER AGREEMENT (MFA) ARE NOT INCLUDED IN THESE QUOTAS. THE ROC HAS ASSURED THE U.S. IN SIDE LETTERS TO THE AGREEMENT THAT IT WILL NOT PERMIT DISRUPTIVE SHIFTS IN THE TYPE, MATERIAL, OR PRICE RANGE OF FOOTWEAR THAT IT EXPORTS, AND THAT IT WILL NOT CIRCUMVENT THE AGREEMENT BY DISRUPTIVELY SHIFTING INTO LINES OF FOOTWEAR THAT TECHNICALLY ARE NOT COVERED BY THE OMA, BUT THAT IN FACT COMPETE WITH LINES OF SHOES THAT ARE COVERED.

THE OMA ALSO PROVIDES THAT IF OTHER U.S. FOOTWEAR EXPORT SUPPLIERS SHOULD MOVE TO TAKE ADVANTAGE OF TAIPEI'S UNCLASSIFIED

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EXPORT LIMITATIONS BY UNDULY INCREASING THEIR SHIPMENTS TO THE U.S., THE U.S. MAY TAKE UNILATERAL ACTION TO CORRECT THE INEQUITIES.

U.S. IMPORTS OF NON-RUBBER FOOTWEAR INCREASED FROM 265 MILLION PAIRS IN 1974 TO 370 MILLION PAIRS IN 1976. OF THIS 105 MILLION PAIR INCREASE, TAIWAN ACCOUNTED FOR 68 MILLION PAIRS AND KOREA 36 MILLION PAIRS, FOR A TOTAL OF 104 MILLION, OR 99 PERCENT OF THE INCREASE OVER THE TWO-YEAR PERIOD.

THE OMA PROVIDES FOR CONSULTATIONS ON ANY FUTURE-YEAR QUOTA ADJUSTMENTS WARRANTED BY CONDITIONS IN THE DOMESTIC FOOTWEAR INDUSTRY AND OTHER ECONOMIC FACTORS; THE USITC WILL MONITOR CONDITIONS IN THE DOMESTIC FOOTWEAR INDUSTRY AS WELL AS ANY INFLATIONARY IMPACT OF THE AGREEMENTS ON U.S. CONSUMERS AND PREPARE APPROPRIATE REPORTS ON A QUARTERLY AND YEARLY BASIS. END TEXT.

2. FOR US MISSION GENEVA: THESE EXERPTS FROM THE PRESS RELEASE ARE NOT INTENDED TO SERVE AS NOTIFICATION TO THE GATT. INTERESTED AGENCIES ARE WORKING ON GATT NOTIFICATION. VANCE

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